

HOUSE BILL 1526

By Fitzhugh

AN ACT to amend Tennessee Code Annotated, Title 56,
Chapter 50, relative to life settlements.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Section 56-50-109, is amended by adding a new, appropriately designated subsection:

() Pursuant to § 56-50-104(a)(2), the following are deemed “fraudulent or dishonest practices” by a licensee, applicant for renewal, or any officer, partner, member or key management personnel, without limiting those terms to the practices specified herein:

(1) Soliciting or encouraging a person to apply for a life insurance policy for the purpose of entering into a life settlement contract based upon the newly obtained life insurance policy;

(2) Entering into a life settlement contract based upon a life insurance contract within a two-year period commencing with the date of issuance of the insurance policy or certificate unless the owner certifies to the life settlement provider that one (1) or more of the following conditions have been met within the two-year period:

(A) The policy was issued upon the owner’s exercise of conversion rights arising out of a group or individual policy, provided the total of the time covered under the conversion policy plus the time covered under the prior policy is at least twenty-four (24) months. The time covered under a group policy shall be calculated without regard to

any change in insurance carriers, provided the coverage has been continuous and under the same group sponsorship; or

(B)

(i) The owner submits independent evidence to the life settlement provider that one or more of the following conditions have been met within the two-year period:

(a) The owner or insured was diagnosed as terminally or chronically ill after the issuance of the policy;

(b) The owner's spouse has died;

(c) The owner divorces his or her spouse;

(d) The owner retires from full-time employment;

(e) The owner becomes physically or mentally disabled and a physician determines that the disability prevents the owner from maintaining full-time employment;

(f) The owner experiences a significant decrease in income that is unexpected and that impairs the owner's reasonable ability to pay the policy premiums; or

(g) The owner disposes of such owner's ownership interests in a closely held corporation.

(ii) Copies of the independent evidence described in subdivision (B)(i) and documents required by § 56-50-109(a) shall be submitted to the insurer when the life settlement provider submits a request to the insurer for verification of coverage. The copies shall be accompanied by a letter of attestation from the life settlement provider that the copies are true and correct copies of the documents received by the life settlement provider.

SECTION 2. This act shall take effect July 1, 2009, the public welfare requiring it.